

LEIPS-VI

(Effective from October 3,2012)

Pursuant to SEBI Circular CIR/DNPD/5/2011 dated June 2, 2011 (BSE Notice no-20110602-18, dated June 02, 2011), permitting stock exchanges to introduce Liquidity Enhancement Schemes (LES) for illiquid securities in their equity derivatives segment, the Exchange has launched a series of **Liquidity Enhancement Incentive Programmes (LEIPS)** with the goal of creating lasting, self-sustaining liquidity in BSE's Derivatives Segment.

Sixth Programme in the series LEIPS VI was launched on August 1, 2012. The programme focuses on Futures and Options contract on BSE-100 Index.

The programme incentivizes both Market Makers (MMs) and General Market Participants (GMPs) by payment of cash for their participation as per prescribed terms and conditions.

Active trading members of Derivatives Segment of the Exchange who have already signed up for in LEIPS-III and LEIPS-IV programme as GMPs shall be treated as GMPs in LEIPS-VI programme as well. Trading members who wish to opt out of the LEIPS-VI programme as GMPs shall be required to intimate the Exchange of the same.

Registered Market Makers of LEIPS- III & LEIPS- IV programme shall have to register themselves as a Market Maker in LEIPS- VI programme & expressly indicate their interest to do Market Making in the futures and options contracts on underlying index eligible under LEIPS-VI programme.

Other active trading members of Derivatives Segment of the Exchange can register themselves as a Market Maker (MM) or a General Market Participant (GMP) for this programme as well.

Under the programme, the MMs have a continuous quoting obligation with specified size and spread in futures & options contracts on BSE-100 index. The programme offers 4 types of incentives to market participants –

1. Trading volume based daily cash incentives to MMs and GMPs
2. Quote based incentive for MMs in Index Options
3. Open Interest (OI) based cash incentives paid on daily basis for average daily OI to MMs and GMPs
4. Lower transaction fees for all active trading members.

The Exchange monitors performance of the programme including presence of MMs and their compliance with the quote obligations through a mix of online and offline monitoring tools. The Exchange also publishes information on the programme from time to time as applicable vide SEBI Circular CIR/DNPD/5/2011 dated June 2, 2011.

LEIPS-VI programme shall remain in force till January 31, 2013 i.e. 6 months.

In accordance with the aforesaid SEBI circular the Exchange may amend / discontinue the programme at any time with an advance notice of 15 days. Also, the programme shall be discontinued as soon as the average trading volume on the Exchange, during the last 60 trading days, reaches 1% of market capitalization of the underlying, or six months from introduction of the scheme, whichever is earlier.

The Exchange has been regularly amending the terms and conditions of its LEIPS Programmes based on the overall progress of the programme, market feed back and policy changes.

With effect from October 3,2012, 2012, the Exchange proposes following key amendments in terms and conditions of LEIPS -VI programme-

- Part A—BSE-100 Index Futures contracts
 - ◆ Revision in trading volume based cash incentive for GMPs & MMs.
 - ◆ Revision of spread-size specification of quoting obligations of market makers
- Part B—BSE-100 Index Options contracts
 - ◆ Revision in trading volume based cash incentives rates for GMPs and MMs
 - ◆ Introduction of 2 layer volume incentive cap based on moneyness of contracts
 - ◆ Revision in Level 1, Level 2 & Level 3 quote obligations

For any further clarifications, please contact your designated Relationship Managers.

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Liquidity Enhancement Incentive Programme (LEIPS-VI) is launched by BSE with the goal of creating lasting, self-sustaining liquidity in the BSE Derivatives segment. **LEIPS-VI focuses on BSE-100 Index Futures and Options.** The programme incentivizes both MMs and GMPs by payment of cash for participating in the programme as per prescribed terms and conditions.

		Market Makers				General Market Participants																		
Clause 1 – Incentives / Benefits	Trading Volume[†] Based Cash Incentive Pro-rata basis	Futures (Rs. /Cr.)				Futures (Rs. /Cr.)																		
		Passive*		Active*		Passive*		Active*																
		Buy	Sell	Buy	Sell	Buy	Sell	Buy	Sell															
		2,200	2,200	700	700	1,100	1,100	700	700															
Open Interest[‡] Cash Incentive	Based on total daily OI of BSE-100 Index Futures [§] across all LEIPS Members (MM & GMP). Payout structure - <ul style="list-style-type: none"> Till above mentioned total OI is less than or equal to Rs. 800 Cr on any given trading day , Rs. 100 per Cr. of member OI If above mentioned total OI exceeds Rs. 800 Cr on any given trading day, then for that day , incentive shall be paid from Pool of Rs. 0.80 Lakhs per day. 																							
Retail customer incentive	<ul style="list-style-type: none"> One time incentive of Rs. 100 for each registered customer trading for the first time in BSE Derivatives segment under all LEIPS schemes with upto 5000 successful registered customers by member in UCC system to be eligible to receive incentive. Retail incentive program as per Exchange notice number 20120829-22 dated August 29, 2012. 																							
Transaction Fees	Passive (Rs/Cr)		Active (Rs/Cr)																					
	0		50																					
Quote	Provide 2-way continuous quote during regular trading hours for 85% of trading time in market making futures contracts on eligible securities/underlying under this scheme (as published by the Exchange on a daily basis). The only exceptions** shall be due to technical reasons and fast market conditions. Fulfillment of these quote obligation conditions is subject to the obligation conditions specified below. (**Exception— Market halts in a contract or underlying shall not be counted as trading hours)				No Obligations																			
Spread, Size Specification	Futures – (Current Month Contracts) <ul style="list-style-type: none"> Maintain spread-size as per Table 1 below: <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="2" style="background-color: black; color: white;">Table 1: Spread-Size Specification for BSE-100 Index Futures</th> </tr> <tr> <th style="background-color: #cccccc;">Spread Range (Index Point)</th> <th style="background-color: #cccccc;">Minimum Lots (No. of Contracts)</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">0 - 0.25</td> <td style="text-align: center;">1</td> </tr> <tr> <td style="text-align: center;">0.25 - 0.50</td> <td style="text-align: center;">2</td> </tr> <tr> <td style="text-align: center;">0.50 - 0.75</td> <td style="text-align: center;">4</td> </tr> <tr> <td style="text-align: center;">0.75 - 1.00</td> <td style="text-align: center;">6</td> </tr> <tr> <td style="text-align: center;">1.00 - 1.25</td> <td style="text-align: center;">8</td> </tr> <tr> <td style="text-align: center;">1.25 - 2.00</td> <td style="text-align: center;">10</td> </tr> </tbody> </table> <ul style="list-style-type: none"> The maximum spread cannot exceed 2.00 index points 								Table 1: Spread-Size Specification for BSE-100 Index Futures		Spread Range (Index Point)	Minimum Lots (No. of Contracts)	0 - 0.25	1	0.25 - 0.50	2	0.50 - 0.75	4	0.75 - 1.00	6	1.00 - 1.25	8	1.25 - 2.00	10
Table 1: Spread-Size Specification for BSE-100 Index Futures																								
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Roll Period (5-days prior to expiry)	During the roll period, MMs shall be required to maintain quote obligations in both current month contracts and next month contract as per spread –size specification above.																							
After the daily volume cap is breached	MMs shall be required to quote as per spread-size obligations in futures throughout the day uniformly even after the volume incentive cap is breached.				No Obligation																			

[†] Incentives are payable only for current , near and far month expiration on monthly futures contracts on eligible underlying

* Active / passive—In any trade, the order with the earlier time stamp is passive and the order with the later time stamp is active

Open Interest— Futures contracts that are not closed or delivered at the end of a particular day.

§ Open Interest Incentives shall be applicable on incentive eligible contract series only that shall be published by the exchange on a daily basis

	Market Makers	General Market Participants
Clause 3	Eligibility <ul style="list-style-type: none"> Members have to register with the exchange to participate as a MM Net worth of Rs. 1 Cr. (~ USD 0.20 Million) No serious disciplinary action against the member in the last 1 year 	Members have to register with the exchange to be eligible for the incentives.
Clause 4	Penalty—Monitoring Obligations <ul style="list-style-type: none"> Eligibility for MM incentive payments shall be determined on daily basis based on fulfillment of the MM's obligation during the day. In case of non fulfillment of obligations for a specific day, MM's incentive payment shall be at GMP rate. Exchange provides online system (https://leipsmm.bseindia.com) to MMs to view their quoting obligations (MM presence) as well as incentive payouts based on their trading activity. Exchange reserves the right to render any member ineligible for further participation in the programme if they engage in activities that are detrimental to the development of the markets. 	Exchange reserves the right to render any member ineligible for further participation in the programme if the member engages in activities that are detrimental to the development of the markets
Clause 5	Daily Caps — <ul style="list-style-type: none"> Cash volume incentives paid upto a maximum volume of Rs. 207.5 cr. in BSE-100 Index futures contracts Total Daily Volume Incentive cap is divided across 375 time period of 1 minute each such that; <ul style="list-style-type: none"> For first 10 and last 10 minutes of trading time volume cap shall be of Rs.1.50 crore per minute. For the rest of the trading period of 355 minutes volume cap shall be of Rs.0.50 crore per minute. Incentive to be paid on pro-rata basis on volume contributed by each member in particular time period cap Illustration: - Exchange turnover in first 1 minute period = Rs. 3Cr Per minute time period cap in first 10 minute = Rs. 1.50 Cr Member Turnover in first 1 minute = Rs. 2 Cr (1 Cr Active + 1 Cr Passive) Incentive payout for first 1 minute at GMP rates for passive trades = $(1.50 * 1/3) * 1100$ = Rs.550 Incentive payout for first 1 minute at GMP rates for active trades = $(1.50 * 1/3) * 700$ = Rs.350 Total Incentive Payout = Rs.550 + Rs.350 = Rs.900 	
Clause 6	Payment <ul style="list-style-type: none"> Daily basis for GMPs- at rate of Rs. 1,100 / Cr for passive trades & Rs. 700 / Cr on active trades. Daily basis for MMs - Additional trading volume based cash incentive for fulfilling MM obligations at rate of Rs. 1100/Cr. of member volume. (passive side of their volume *) All cash payouts will be paid after TDS deductions. TDS certificate will be issued on quarterly basis Service Tax related to incentive payouts will be paid to the members upon submission of invoice <p>(* Half of each per minute cap volume shall be considered for MM incentive pro-rata base calculation)</p>	
Clause 7	Eligible Securities / Underlying <ul style="list-style-type: none"> BSE-100 Index Futures 	BSE-100 Index Futures
Clause 8	Time Lines <ul style="list-style-type: none"> Scheme Launch—1st August 2012 The programme shall run till average trading volume on the Exchange, during the last 60 trading days, reaches 1% of market capitalization of the underlying, or six months from introduction of the scheme, whichever is earlier. 	

Liquidity Enhancement Incentive Programmes (LEIPS-VI) is launched by BSE with the goal of creating lasting, self-sustaining liquidity in the BSE Derivatives segment. **LEIPS-VI focuses on Futures and Options on BSE 100.** The programme incentivizes both MMs and GMPs by payment of cash for their participation in the programme as per prescribed terms and conditions.

		Market Makers			General Market Participants
Clause 1 — Incentives / Benefits	Trading Volume[†] Based Cash Incentive	Market Maker (MM) shall be paid incentives on notional turnover at moneyness strikewise rates as per Table 2 overleaf			General Market Participant shall be paid incentives on notional turnover at moneyness strikewise rates as per Table 2 overleaf
	Quoting Based Cash Incentive	<ul style="list-style-type: none"> Upon fulfillment of Level 2 Quote Obligations, qualifying MMs shall be paid incentives at Moneyness Strike-wise rates (refer Annexure 1 overleaf) till payout crosses pool of Rs. 5 Lakhs. Thereafter incentives to be paid on pro-rata basis . Upon fulfillment of Level 3 Quote Obligations, qualifying MMs shall be paid incentives at Rs. 2 Lakhs per day per MM (refer Annexure 2 overleaf) till payout crosses pool of Rs. 5 Lakhs. Thereafter incentives to be paid on pro-rata basis. 			Not Applicable
	Open Interest[‡] Cash Incentive	Based on daily Exchange OI in BSE100 Index Options [€] . [¥] Only short option positions shall be eligible for incentives. <ul style="list-style-type: none"> Till Exchange OI for BSE-100 Options on any given trading day is less than or equal to Rs. 1000 Cr., the incentive for that day shall be paid at a rate of Rs.100 per Cr of Member OI[¥] for the day. If Exchange OI for BSE-100 Options on any given trading day crosses Rs.1000Cr, then incentive for that day shall be paid on proportionate basis from a daily pool of Rs.1 Lakhs. 			
	Retail customer incentive	<ul style="list-style-type: none"> One time incentive of Rs. 100 for each registered customer trading for the first time in BSE Derivatives segment under all LEIPS schemes with upto 5000 successful registered customers by member in UCC system to be eligible to receive incentive. Retail incentive program as per Exchange notice number 20120829-22 dated August 29, 2012. 			
	Lower Transaction Fee	Options (Rs. / Cr. Premium)			
	Passive		Active		
	0		50		
Clause 2 — Obligations	Quote Obligation	Level 1	Level 2	Level 3	No Obligations
		Provide 2-way continuous quote during regular trading hours for 75% of trading time as per Table 3 overleaf	Provide 2-way continuous quote during regular trading hours for 85% of trading time as per Annexure 1 overleaf	Provide 2-way continuous quote during regular trading hours for 85% of trading time as per Annexure 2 overleaf	
	The only exceptions** shall be due to technical reasons and fast market conditions. Fulfillment of these quote obligation conditions is subject to the obligation conditions specified below. (** Indicative Exceptions— Market halts in a contract or underlying shall not be counted as trading hours)				
	Spread & Size	2-way quote in any one or more market making contract series [‡] as per quote obligations specified in Table 3	2-way quote in any one or more market making contract series [‡] as per quote obligations specified in Annexure 1	3 layered, 2-way quotes in all 14 market making contract series [‡] as per quote obligations specified in Annexure 2	
Roll Period (5 days prior to expiry)	Quote obligations for the current month contracts shall also be applicable to the next month contracts.	No Roll period obligation	No Roll period obligation		
After the daily volume cap is breached	Provide 2-way continuous quote during regular trading hours for 75% of trading time as per Table 3 overleaf even after the volume incentive cap is breached	Provide 2-way continuous quote during regular trading hours for 85% of trading time as per Annexure 1 overleaf even after the volume incentive cap is breached	Provide 2-way continuous quote during regular trading hours for 85% of trading time as per Annexure 2 overleaf even after the volume incentive cap is breached		
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[†] Incentives are payable only for current, near and far month expiration on monthly options contracts on eligible underlying

[#] Open Interest—Notional volume of options contracts that are not closed or delivered at the end of a particular day.

[‡] Market making contract series shall be published by the exchange on a daily basis

[€] Open Interest Incentives shall be applicable on incentive eligible contract series only that shall be published by the exchange on a daily basis

	Market Makers	General Market Participants																		
Clause 3	Eligibility <ul style="list-style-type: none"> Members have to register with the exchange to participate as a MM Net worth of Rs. 1 Cr. (~ USD 0.20 Million) No serious disciplinary action against the member in the last 1 year 	Members have to register with the exchange to be eligible for the incentives.																		
Clause 4	Penalty—Monitoring Obligations <ul style="list-style-type: none"> Eligibility for MM incentive payments shall be determined on daily basis based on fulfillment of the MM's obligation during the day In case of non-fulfillment of obligations for a specific day, MM's incentive payments shall be at GMP rates Exchange provides online system (https://leipsmm.bseindia.com) to MMs to view their quoting obligations (MM presence) as well as incentive payouts based on their trading activity Exchange reserves the right to render any members ineligible for further participation in the programme if they engage in activities that are detrimental to the development of the markets 	Exchange reserves the right to render any members ineligible for further participation in the programme if the member engages in activities that are detrimental to the development of the markets																		
Clause 5	Daily Caps— Cash volume incentives shall be paid upto a maximum of Rs. 2962.5 Cr. in BSE- 100 Index Options (Notional volume) as follows—																			
Clause 5	<table border="1"> <thead> <tr> <th rowspan="2">Total No of Time Periods</th> <th rowspan="2">Duration of Each Time Period</th> <th colspan="2">Time period wise cap for Options Trading (Notional Volume)</th> </tr> <tr> <th>All ITM, ATM & OTM 1</th> <th>OTM 2, OTM 3 & OTM 4</th> </tr> </thead> <tbody> <tr> <td>First 30 and Last 30 minutes</td> <td>1 minute</td> <td>Rs 2.5 Crores</td> <td>Rs. 7.5 Crores</td> </tr> <tr> <td>Interim 315 Minutes</td> <td>1 minute</td> <td>Rs 1.875 Crores</td> <td>Rs. 5.625 Crores</td> </tr> <tr> <td colspan="2">Daily Volume Incentive Cap</td> <td>Rs 740.625 Crores</td> <td>Rs. 2221.875 Crores</td> </tr> </tbody> </table>		Total No of Time Periods	Duration of Each Time Period	Time period wise cap for Options Trading (Notional Volume)		All ITM, ATM & OTM 1	OTM 2, OTM 3 & OTM 4	First 30 and Last 30 minutes	1 minute	Rs 2.5 Crores	Rs. 7.5 Crores	Interim 315 Minutes	1 minute	Rs 1.875 Crores	Rs. 5.625 Crores	Daily Volume Incentive Cap		Rs 740.625 Crores	Rs. 2221.875 Crores
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Clause 5	<ol style="list-style-type: none"> Incentive to be paid on pro rata basis on volume contributed by each member in particular time period. The excess volume of per minute cap i.e. volume beyond the specified cap for the time interval in all ITM, ATM & OTM 1 shall be added to the volume contributed under OTM 2, OTM 3 & OTM 4 strikes. Accordingly the incentives will be calculated on a pro rata basis. (₹ — Refer Incentive Computation illustration on page 6) 																			
Clause 6	<table border="1"> <thead> <tr> <th>Type of Incentive</th> <th>Applicable To</th> <th>Payout Structure</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Trading Volume based Cash Incentive</td> <td>MM, GMP</td> <td>Pro-rata basis on options notional volume at rate as per Table 2 overleaf (₹ — Refer Incentive Computation illustration on page 6)</td> </tr> <tr> <td>MMs fulfilling Level 1 Quote Obligations</td> <td>Additional volume based cash incentive for fulfilling Level 1 Quote Obligations on options notional volume at rate as per Table 2 Overleaf (Passive side) and aforementioned incentive ceilings</td> </tr> <tr> <td rowspan="2">Quoting based Cash Incentive</td> <td>MMs fulfilling Level 2 Quote Obligations</td> <td>Additional payout to MM fulfilling Level 2 Quote Obligations upto Rs. 3 Lakh per day per MM. (refer Annexure 1 overleaf)</td> </tr> <tr> <td>MMs fulfilling Level 3 Quote Obligations</td> <td>Additional payout to MM fulfilling Level 3 Quote Obligations upto Rs. 2 Lakh per day per MM (refer Annexure 2 overleaf).</td> </tr> <tr> <td>OI based Cash Incentive</td> <td>MM, GMP</td> <td>Based on Daily Average OI</td> </tr> </tbody> </table> <ul style="list-style-type: none"> All above payouts shall be computed and paid on daily basis. All cash payouts shall be paid after TDS deductions. TDS certificate shall be issued on quarterly basis. Service Tax related to incentive payouts shall be paid to the members upon submission of invoice. 		Type of Incentive	Applicable To	Payout Structure	Trading Volume based Cash Incentive	MM, GMP	Pro-rata basis on options notional volume at rate as per Table 2 overleaf (₹ — Refer Incentive Computation illustration on page 6)	MMs fulfilling Level 1 Quote Obligations	Additional volume based cash incentive for fulfilling Level 1 Quote Obligations on options notional volume at rate as per Table 2 Overleaf (Passive side) and aforementioned incentive ceilings	Quoting based Cash Incentive	MMs fulfilling Level 2 Quote Obligations	Additional payout to MM fulfilling Level 2 Quote Obligations upto Rs. 3 Lakh per day per MM. (refer Annexure 1 overleaf)	MMs fulfilling Level 3 Quote Obligations	Additional payout to MM fulfilling Level 3 Quote Obligations upto Rs. 2 Lakh per day per MM (refer Annexure 2 overleaf).	OI based Cash Incentive	MM, GMP	Based on Daily Average OI		
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Clause 7	Eligible Underlying <ul style="list-style-type: none"> BSE-100 Index Options contracts as per Table 2 	BSE-100 Index Options contracts as per Table 2																		
Clause 8	Time Lines <ul style="list-style-type: none"> Launch—1st August, 2012 The programme shall run till average trading volume on the Exchange, during the last 60 trading days, reaches 1% of market capitalization of the underlying, or six months from introduction of the scheme, whichever is earlier. 																			

Table 2—Trading Volume Based Cash Incentive

Moneyiness* (Call & Put)	Market Makers Incentive Rate (Rs. per Cr.)				General Market Participants Incentive Rate (Rs. per Cr.)			
	Passive*		Active*		Passive*		Active*	
	Buy	Sell	Buy	Sell	Buy	Sell	Buy	Sell
All remaining ITMs	NA	NA	NA	NA	120	120	120	120
ITM 2	120	240	120	120	120	120	120	120
ITM 1	110	220	110	110	110	110	110	110
ATM	100	200	100	100	100	100	100	100
OTM 1	90	180	90	90	90	90	90	90
OTM 2	80	160	80	80	80	80	80	80
OTM 3	40	80	40	40	40	40	40	40
OTM 4	20	40	20	20	20	20	20	20
All remaining OTMs	NA	NA	NA	NA	0	0	0	0

£ - Illustration for trading volume based incentive calculation as per Incentive ceiling and payout structure :

Per minute Incentive Cap in 1 st minute of trading time.	Time period wise incentive cap In 1 st minute of trading time	Scenario 1 - Volume in 1 st minute of trading time	Scenario - 2 Volume in 1 st minute of trading time	Member A-Turnover in scenarios 1	Member A-Turnover in scenarios 2
All ITM, ATM and OTM1	Rs.2.5 Cr	Rs.5 Cr	Rs.2Cr	OTM1 passive buy -Rs 3 Cr*	OTM1 passive buy -Rs 1 Cr
OTM2, OTM3 & OTM 4	Rs.7.5 Cr	Rs.6 Cr	Rs.5 Cr	OTM3 active buy -Rs. 2Cr	OTM3 active buy -Rs. 5 Cr
Total	Rs.10 Cr	Rs.11 Cr	Rs.7 Cr	Rs.5 Cr	Rs.6 Cr

Scenario 1 - Total trading volume based cash incentive Rs.324.71/-

Pro-rata calculation— 1) All ITM, ATM & OTM1 = Rs.2.5Cr/5Cr = 0.5;

2) OTM2, OTM3 & OTM4 = Rs.7.5 Cr / (Rs.6Cr + Rs.2.5Cr) = 0.8824 [Excess of 1st minute cap in All ITM, ATM & OTM1 = Rs.5-Rs.2.5Cr = Rs.2.5 Cr.]

*Member A Turnover in OTM1 after Session cap of Rs. 2.5 Cr. was breached = Rs. 1.5 Cr.

Incentive calculation for Member A

OTM 1 Passive buy = A) Rs.3 Cr * 0.5* Rs.90 = **Rs.135** ; B) Rs. 1.5 * 0.8824*90= **Rs.119.12**

OTM 3 active buy = C) Rs.2 Cr * 0.8824*Rs.40 = **Rs.70.59** ; Total [A+B+C] = Rs.135+Rs.119.12+Rs.70.59 = **Rs.324.71**

Scenario 2 - Total trading volume based cash incentive Rs.290

OTM 1 Passive buy = Rs 1 Cr * 1*Rs.90/Cr = **Rs.90** (No pro rata as incentive cap not breached)

OTM 3 active buy = Rs 5 Cr * 1 * Rs.40/Cr = **Rs.200** (No pro rata as incentive cap not breached)

Table 3—Level 1 Quote Obligations

Spread Specification for BSE 100 Index Options	
Bid Prices of Premium (Rs.)	Maximum Spread (Rs.) (Current Month Contract)
0—10	0.15
10—50	0.25
50—100	0.50
100—200	0.75
Above 200	1.00
Minimum quantity of contracts	10

* Active / passive—In any trade, the order with the earlier time stamp is passive and the order with the later time stamp is active

* ITM, ATM and OTM strike prices on which Level 1 Quote Obligations shall have to be maintained on a given trading day shall be published by the Exchange on daily basis.

Annexure 1: Level 2—Quote Based Obligation and Incentive

- MMs shall have flexibility to choose a spread – size specification from those listed in Table 4 and Table 5 below:

Table 4—Level 2: Spread Size Specification

	Option 1	Option 2	Option 3
Maximum Spread	Higher of 0.50% of Bid Price or Bid Price based Max. Permissible Spread as per Table 5	Higher of 0.75% of Bid Price or Bid Price based Max. Permissible Spread as per Table 5	Higher of 1.00% of Bid Price or Bid Price based Max. Permissible Spread as per Table 5
Minimum Lots (no. of contracts)	40	60	80

Table 5— Bid Price Based Maximum Permissible Spread for Level 2 Quoting Obligations

Bid Price Range (Rs.)	Max. Permissible Spread (Rs.)
0 - 10	0.15
10 - 50	0.25
50 - 100	0.50
100 - 200	0.75
Above 200	1.00

- MMs can interchangeably use the above spread—size specifications on an intra-day basis. i.e. MMs have the flexibility to choose different spread—size specifications at different points in time.

- Illustration:**

Case 1: MM ‘A’ maintained 2-way quote in the following manner (no time overlap amongst the options):

- ◆ At a spread of 0.50% of bid price with 40 lots between 9.15 am. to 12.00 pm
- ◆ At a spread of 0.75% of bid price with 60 lots between 12.00 pm. to 1.00 pm.
- ◆ At a spread of 1.00% of bid price with 80 lots between 1.00 pm. to 3.00 pm.

The Level 2 presence accounted for this member will be from 9.15 am to 3.00 pm.

Case 2: MM ‘B’ maintained 2-way quote in the following manner (time overlap amongst the options):

- ◆ At a spread of 0.50% of bid price with 40 lots between 9.15 am. to 12.00 pm.
- ◆ At a spread of 0.75% of bid price with 60 lots between 10.00 am. to 12.00 pm.
- ◆ At a spread of 1.00% of bid price with 80 lots between 1.00 pm. to 3.00 pm.

The Level 2 presence accounted for this member will be from 9.15 am. to 12.00 pm. and then from 1.00 pm. to 3.00 pm.

- Incentive payable to MMs upon fulfillment of Level 2—Quote Based Obligation shall be as per table 6 below:

Table 6—Level 2 Quote Obligation Incentive

Moneyiness* (Call and Put)	Quote Based Cash Incentive (Level 2) Rate per MM for CALL (Rs.)	Quote Based Cash Incentive (Level 2) Rate per MM for PUT (Rs.)	Additional Incentive if Quoting in pairs	Total (Rs)	Quote Based Cash Incentive (Level 2) pool across all eligible MMs (Rs.)
ITM 2	20,000	20,000	5,000	45,000	2,28,000
ITM 1	18,000	18,000	4,000	40,000	2,00,000
ATM	18,000	18,000	4,000	40,000	2,00,000
OTM 1	13,500	13,500	3,000	30,000	1,52,000
OTM 2	9,000	9,000	2,000	20,000	1,00,000
OTM 3	6,750	6,750	1,500	15,000	72,000
OTM 4	4,500	4,500	1,000	10,000	48,000
Total	89,750	89,750	20,500	2,00,000	
Additional Incentive for fulfilling quoting obligations in all the above strikes (Rs.)					1,00,000
Total Pool for Level 2 Quoting Incentives (Rs.)					5,00,000[#]

[#] Level 2 Quote Based Incentives shall be distributed from the existing daily pool of Rs. 5 Lakhs. i.e if the total of Level 2 Quote Based Incentives crosses Rs. 5 Lakhs, incentives shall be paid proportionately from the pool.

* ITM, ATM and OTM strike prices on which Level 2 Quote Obligations shall have to be maintained on a given trading day shall be published by the Exchange on daily basis.

Annexure 2: Level 3—Quote Based Obligation and Incentive

- Market maker shall be paid Rs.2,00,000 daily incentive in addition to Level 2 Quote Based Incentive if he maintains 3 layered 2—way quotes in all the 14 strikes as published by the Exchange on the BSE-100 Options.
- MMs shall have flexibility to choose a 3 layered quote spread — size specification from those listed in Table 7 and Table 8 below:

Table 7—Level 3: Spread—Size Specification

	Option 1	Option 2	Option 3
Layer 1	Higher of 0.50% of Bid Price or Bid Price based Max. Permissible Spread as per Table 8 & lot of 40 contracts	Higher of 0.75% of Bid Price or Bid Price based Max. Permissible Spread as per Table 8 & lot of 60 contracts	Higher of 1.00% of Bid Price or Bid Price based Max. Permissible Spread as per Table 8 & lot of 80 contracts
Layer 2	Bid and ask price at a max. difference of Rs. 0.25 from respective bid and ask price of layer 1 and a min. lot of 50 contracts	Bid and ask quotes at a max. difference of Rs. 0.25 from respective bid and ask price of layer 1 and a min. lot of 80 contracts	Bid and ask quotes at a max. difference of Rs. 0.25 from respective bid and ask price of layer 1 and a min. lot of 100 contracts
Layer 3	Bid and ask price at a max. difference of Rs. 0.50 from respective bid and ask price of layer 1 and a min. lot of 60 contracts	Bid and ask quotes at a max. difference of Rs. 0.50 from respective bid and ask price of layer 1 and a min. lot of 100 contracts	Bid and ask quotes at a max. difference of Rs. 0.50 from respective bid and ask price of layer 1 and a min. lot of 150 contracts

Table 8— Bid Price Based Maximum Permissible Spread for Layer 1 of Level 3 Quoting Obligations

Bid Price Range (Rs.)	Max. Permissible Spread (Rs.)
0 - 10	0.15
10 - 50	0.25
50 - 100	0.50
100 - 200	0.75
Above 200	1.00

Illustration:

- Case 1: Call ATM Strike with layer 1 at a spread of 0.50% of bid price & lot size of 40

Layer	Qty	Bid Price	Offer Price	Qty
Layer 1	40	45.00	45.40	40
Layer 2	50	44.75	45.65	50
Layer 3	60	44.50	45.90	60

- Case 2: Call ITM 1 Strike with layer 1 at a spread of 0.75% of bid price & default contract size of 60

Layer	Qty	Bid Price	Offer Price	Qty
Layer 1	60	101.00	101.75	60
Layer 2	80	100.75	102.00	80
Layer 3	100	100.50	102.25	100

- Case 3: Put OTM 2 Strike with layer 1 at a spread of 1.00% of bid price & default contract size of 80

Layer	Qty	Bid Price	Offer Price	Qty
Layer 1	80	6.00	6.15	80
Layer 2	100	5.75	6.40	100
Layer 3	150	5.50	6.65	150

- Case 4: Call ATM Strike with layer 1 at a spread of 0.50% of bid price & lot size of 40

Layer	Qty	Bid Price	Offer Price	Qty
Layer 1	40	45.00	45.40	40
Layer 2	50	45.00	45.40	50
Layer 3	60	45.00	45.40	60

- Similar to Level 2—Quote Based Obligations, MMs can interchangeably use any of the above 3—layered spread—size specifications on an intra-day basis. i.e. MMs have the flexibility to choose different 3—layered spread—size specifications at different points in time.
- Level 3 Quote Based Incentives shall be distributed from the **daily pool of Rs. 5 Lakhs**. i.e if the total of Level 3 Quote Based Incentives crosses Rs. 5 Lakhs, incentives shall be paid proportionately from the pool.

Registration Form for General Market Participant (GMP)

Please print the form on next page on the official stationary (letter head) of the member and
Submit it to your relationship manager.

To,
Business Development,
BSE Ltd,
P.J Towers, Dalal Street,
Mumbai 400001, India
Fax: (022) 2272 3001

Registration as General Market Participant (GMP)

1. We _____(name of the member / Clearing Number) would like to register in LEIPS programme as a General Market Participant.
2. We have read and understood the details of the LEIPS programme.
3. We are aware that we have to follow a separate registration process if we are interested to participate in LEIPS programme as a Market Maker.
4. We are aware that BSE reserves the right to render any member ineligible for further participation in the programme if the member engages in activities that are detrimental to the development of the market.
5. We understand that BSE has the right to terminate or amend the programme or expand one or more of the conditions laid down in their circular at its discretion in accordance with SEBI circular CIR/DNPD/5/2011.
6. Listed below are our service providers:

Front Office Vendor: _____

Back Office Vendor: _____

7. Listed below are the contact details of designated person from our organization for all derivatives related transactions:

Name: _____

Designation: _____

Mobile: _____

Phone: _____

Email: _____

Name Position (of Designated Person)

(Signature / Stamp of the company)

Place, Date

Phone / Fax/ Email Id

Registration Form for Market Maker in LEIPS-VI

(Please print the form on next page on the official stationary of the member and
Submit it to your relationship manager)

To,
Business Development Department,
BSE Ltd,
P.J Towers, Dalal Street,
Mumbai 400001, India
Fax: (022) 2272 3001

Registration in LEIPS-VI as Market Maker

1. We _____ (name of the member / Clearing Number) are registering as 'Market Maker' (MM) in listed underlying and type (as indicated in Table 1—List of underlying for Market Making) in accordance to the terms and conditions stated in the LEIPS-VI – Terms and Conditions.
2. We will fulfill all the Eligibility conditions as given in Clause 3 of LEIPS-VI – Terms and Conditions.
3. As a MM we will fulfill all obligations as given in Clause 2 of LEIPS-VI – Terms and Conditions.
4. We shall abide by the letter and spirit of this LEIPS-VI circular (as well as all circulars issued by SEBI and the BSE) to maintain the sanctity of the market place. We are aware that BSE reserves the right to render any member ineligible for further participation in the programme if the member engages in activities that are detrimental to the development of the market.
5. We understand that BSE has the right to terminate this programme or amend or expand one or more of the conditions laid down in this circular at its discretion in accordance with SEBI circular CIR/DNPD/5/2011.
6. Listed below are our service providers:
Front Office Vendor: _____
Back Office Vendor: _____
7. Listed are the contact details of the designated person from our organization for all derivatives related transactions:
Name: _____
Designation: _____
Mobile: _____
Phone: _____
Email: _____

Name Position (Designated Person)

(Signature / Stamp of the company)

Place, Date

Phone / Fax/ Email Id

Registration in LEIPS-VI as Market Maker (cont.)

Please indicate securities for which your firm is registering as market maker by putting a clearly marked “X” in the appropriate cell in the Table 1—List of underlying for Market Making (below). Your application shall be considered incomplete without this.

Table 1—List of Underlying for Market Making

Underlying	Futures	Options
BSE-100 Index		